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## How to Offset Minimum Wage Hike's Costs to Business — With A Tax Hike or a Tax Cut?

Here's an elementary economics question: What will better help employers offset the costs of paying an increased minimum wage — a tax hike or a tax cut? As obvious as the answer is, it's answered incorrectly by Senator Kennedy and his Democrat colleagues: they say a tax hike — their amendment increases taxes by \$1.7 billion over five years, to be exact. Meanwhile, the Republican alternative provides a tax cut — \$18.4 billion over five years and \$75.3 billion over 10 years.

**The Democrat package** increases taxes by a net amount of \$1.7 billion over the next five years (and \$371 million over 10 years). Relying on rejected Clinton tax hike proposals, the amendment over 10 years takes from employers and gives to government:

- \$1.1 billion in increased death taxes (from a 55-percent rate to 60 percent on certain businesses/farms);
- \$1.9-billion from America's retailers (ending a tax provision allowed since 1918);
- \$2.4-billion tax from startup entrepreneurs (those likely to employ minimum wage workers);
- \$13.3 billion via Superfund tax increase (an unauthorized and unreformed program); and
- \$10.1-billion by granting the IRS vast subjective powers (opposed by National Federation of Independent Business, American Institute of Certified Public Accountants, and the U.S. Chamber of Commerce).

**The Republican tax cut package** will help small businesses over the next 10 years by allowing them to increase their expensing to \$30,000 (\$2.4 billion), repealing the temporary FUTA surtax (\$2.9 billion), permanently extending the Work Opportunity Tax Credit (\$4.5 billion), immediately allowing 100-percent deduction for self-employed health insurance (\$2.9 billion), increasing small business' deduction of meals and entertainment (\$13.9 billion), phasing in health-insurance (\$31.3 billion) and long-term-care (\$7.3 billion) above-the-line deductions, and making pension reform proposals (\$15 billion) to increase seniors' financial security.

The Republican \$75.3 billion net tax cut won't touch any Social Security surplus in any of the next 10 years, amounts to less than 10 percent of the tax cut allowed by the Budget Resolution and to less than 8 percent of the projected 10-year non-Social Security surplus.

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